

Members

Sen. Luke Kenley, Chairperson
Sen. Brandt Hershman
Sen. John Broden
Rep. Peggy Welch
Rep. Eric Turner

Advisors

Sen. Robert Meeks
Sen. Lindel Hume
Rep. William Crawford
Rep. Jeffrey Espich
John Grew
Steven Johnson
Katrina Hall



COMMISSION ON STATE TAX AND FINANCING POLICY

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

LSA Staff:

Diane Powers, Fiscal Analyst for the Commission
George Angelone, Attorney for the Commission

Authority: IC 2-5-3-2

MEETING MINUTES¹

Meeting Date: August 13, 2007
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Sen. Luke Kenley, Chairperson; Sen. Brandt Hershman; Sen. John Broden; Sen. Lindel Hume; Rep. William Crawford; Rep. Jeffrey Espich; John Grew; Steven Johnson; Katrina Hall.

Members Absent: Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks.

I. Call to Order.

Sen. Luke Kenley, Chairperson, called the meeting to order at 1:00 PM. Sen. Kenley then discussed the agenda for the meeting and distributed written testimony from the following individuals who were unable to attend the meeting:

- Carole Maynard, Hancock County Assessor (Exhibit A);
- Debbie Folkerts, Hamilton County Assessor (Exhibit B); and
- Mike Bernero, Legislative Liaison, Marshall County Tax Awareness Committee Inc. (Exhibit C).

II. TIF, Abatements, and Exempt Property.

Sen. Kenley recognized Dr. Eugene White, Superintendent of Indianapolis Public Schools (IPS) to testify before the Commission.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Dr. White testified before the Commission concerning the impact of property tax abatements, tax increment financing (TIF), and exemptions on IPS. Dr. White submitted his testimony in writing (Exhibits D and E).

The members of the Commission discussed with Dr. White the level of IPS involvement in decisions to allow abatements, exemptions, or TIF, and also the impact of the elimination of the inventory tax on IPS.

Sen. Kenley next introduced Bob Sigalow, fiscal analyst for the Legislative Services Agency (LSA), to give a presentation concerning TIF and abatements. Mr. Sigalow distributed a report on this issue to the Commission (Exhibit F). The Commission members discussed the following issues with Mr. Sigalow:

- the differences between TIF and abatements;
- the impact on tax rates if TIF and/or abatements were eliminated; and
- residential housing abatements.

Mr. Sigalow then distributed a report to the Commission concerning property tax exemptions (Exhibit G). The Commission discussed the following issues with Mr. Sigalow:

- requiring county auditors to report the various categories of the exemptions; and
- fluctuations between various townships on the amount of exempt property.

Sen. Kenley opened the meeting for public testimony. The Commission heard public testimony on various issues relating to TIF, abatements, and exemptions including the following (also see Exhibits H and I):

- the status of counties adopting local option income tax to replace property tax revenue;
- the ability for TIF and abatements to encourage investment and economic development;
- release of unneeded assessed value from TIF;
- limitations on the length of TIF districts;
- the process of TIF district approval;
- types of TIF districts;
- uses of TIF to encourage different types of investment;
- residential abatements uses and purposes;
- proposed state equalization for certain school districts;
- projects, investments, and economic development throughout the state receiving abatements and/or TIF;
- school participation in the abatement and TIF process;
- school representation on the legislative body approving TIF and/or abatements;
- police and fire protection services for exempt property;
- user fees for exempt property;
- membership of the Property Tax Replacement Review Board and the Property Tax Board of Appeals (PTBOA);
- rulings by the PTBOA on exempt property and appeals to the state Tax Court; and
- pooling and reclassification of existing TIF districts into new districts.

III. Petitions, Remonstrances, and Referendums.

Sen. Kenley asked Ross Hooten, staff attorney for LSA, to make a presentation concerning various state approaches to petitions, remonstrances, and referendums for approval or

rejection of certain bond issues. Mr. Hooten reported: (1) Indiana is currently the only state using a petition and remonstrance system; (2) 47 states use the referendum process; and (3) Hawaii and Connecticut use none of these methods (see Exhibits J and K).

Sen. Kenley then allowed public testimony on the petitions, remonstrances, and referendums. The Commission heard public testimony and had discussion on the following issues (also see Exhibits L and M):

- costs of petition and remonstrance versus referendum;
- alternative funding for school capital projects;
- issues with current petition signature thresholds; tying the threshold to a percentage of a districts assessed value or levy as opposed to a dollar amount;
- standardizing design of school capital projects;
- a survey and comments of schools that have gone through the petition and remonstrance process (see Exhibit L);
- energy efficiency constructions costs;
- petition and remonstrance pass/fail rates and characteristics;
- Department of Local Government Finance (DLGF) standards for school construction projects (see Exhibit M); and
- average cost per square foot of school construction projects.

IV. Property Tax Limits in Other States.

Sen. Kenley next recognized Allen Morford, staff attorney for LSA, to make a presentation concerning property tax limits in other states. Mr. Morford distributed a report on this issue to the Commission (Exhibit N). The Commission discussed the limits in other states and which levies if any were generally exempted from these limits.

V. Other Business and Adjournment.

Sen. Kenley announced that the next Commission meeting would be August 27, 2007 at 1:00 PM in Room 404 of the State House. He also announced that the Commission would consider various proposals to address the property tax issues currently facing many taxpayers.

Sen. Kenley adjourned the meeting at 4:40 PM.